GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:3519
ANSWERED ON:18.08.2005
DECLINE IN PROFIT OF HPCL
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) Whether the profit of the Hindustan Petroleum Corporation Ltd. has decline during 2004-05 as compared to 2003-04;

(b) if so, the details alongwith the reasons therefor,

(c) whether the Company has taking any steps to increase its profit during 2005-06; and

(d) if so, the details thereof?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a): Yes, Sir.

(b): The profit after tax of Hindustan Petroleum Corporation Limited (HPCL) decreased from Rs.1904 crore during 2003-04 to Rs.1277 crore during 2004-05, a decrease of about 33%. The decrease in profit is mainly attributable to higher under-recoveries during the year on the sale of petrol, diesel, PDS kerosene and Domestic LPG, as compared to those in the previous year, consequent upon non-revision of retail selling prices in line with international prices. The under-recoveries of oil marketing companies, including HPCL, on account of the aforesaid products are being partly compensated by the upstream companies.

(c) & (d): Though, the company has incurred a net loss of Rs. 508 crore during the first quarter of the current financial year essentially on account of under- recoveries on petrol, diesel, PDS kerosene and domestic LPG, HPCL contemplate to take the following steps towards containing their costs:-

(i) Optimizing the crude cost by maximizing procurement of high sulphur crude, which is relatively cheaper to low sulphur crude, and reducing crude transportation costs.

(ii) Energy conservation/ reduction in fuel & loss/yield maximization.

(iii) Optimising product distribution/transportation cost through technology-savvy systems.

(iv) Saving in interest cost by using innovative financial instruments for borrowing

(v) Saving in insurance cost

(vi) Close monitoring of working capital including inventory management.